

**ADRIAN TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ADRIAN	County LENAWEE
Fiscal Year End DECEMBER 31, 2006	Opinion Date JULY 5, 2007	Date Audit Report Submitted to State JULY 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

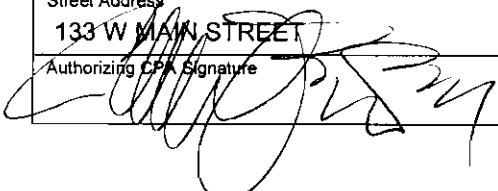


Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY, CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Printed Name PHILIP R RUBLEY	Zip 49256
		License Number 9223	

**ADRIAN TOWNSHIP  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

---

**TABLE OF CONTENTS**

**PAGE**

**FINANCIAL SECTION**

Management Discussion and Analysis	1 - 6
Independent Auditor's Report	7 - 8
Government – Wide Statement of Net Assets	9
Government – Wide Statement of Activities	10 - 11
Governmental Fund Balance Sheet	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Statement of Net Assets	16
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets	17
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets of Enterprise Funds to the Statement of Activities	18
Proprietary Fund Statement of Cash Flows	19 - 20
Fiduciary Funds Statement of Net Assets	21
Notes to Financial Statements	22 - 31

**REQUIRED SUPPLEMENTAL INFORMATION**

Budgetary Comparison Schedule – General Fund	32
Budgetary Comparison Schedule – Fire Fund (Major Special Revenue Fund)	33

Budgetary Comparison Schedule – Police Fund (Major Special Revenue Fund)	<b>34</b>
Combining Balance Sheet – Non-Major Governmental Funds	<b>35</b>
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	<b>36</b>

**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

---

**Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Adrian Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Overview Of The Financial Statements**

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has one enterprise fund to account for sewer and water activity.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

---

**Notes To The Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories; governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

#### **Other Information**

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

---

**The Township As A Whole**

The Township's net assets for the year ended December 31, 2006 (decreased) by (1.68%) over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally able to grow at a rate above inflation.

The governmental activities reflect net assets of \$2,063,997.

By far the largest portion of the Township's net assets (62.64%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding, currently the Township has no debt. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

**ADRIAN TOWNSHIP NET ASSETS**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-Type</u></b> <b><u>Activities</u></b>
	<b><u>2006</u></b>	<b><u>2006</u></b>
<b><u>Revenue</u></b>		
Program Revenue:		
Charges for Services	\$ 225,318	\$ 474,209
Operating Grants and Contributions	26,668	---
General Revenue:		
Property Taxes and Assessments	406,450	95,022
Grants and Contributions Not		
Restricted To Specific Program	394,084	---
Interest and Rentals Earnings	<u>31,406</u>	<u>101,394</u>
<b>Total Revenue</b>	<u>1,083,926</u>	<u>670,625</u>
<b><u>Expenses</u></b>		
General Government	223,317	---
Public Safety	560,537	---
Public Works	262,300	808,607
Community and Economic Development	5,184	---
Recreation and Culture	30	---
Other Functions	<u>88,857</u>	<u>---</u>
<b>Total Expenses</b>	<u>1,140,225</u>	<u>808,607</u>
<b>(Decrease) In Net Assets</b>	(56,299)	(137,982)
<b>Net Assets Beginning of Year</b>	<u>2,120,296</u>	<u>9,469,990</u>
<b>Net Assets End of Year</b>	<u>\$2,063,997</u>	<u>\$9,332,008</u>



**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

---

**ADRIAN TOWNSHIP NET ASSETS**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-Type</u></b> <b><u>Activities</u></b>
	<b><u>2006</u></b>	<b><u>2006</u></b>
Current and Other Assets	\$1,156,148	\$3,121,853
Capital Assets	<u>916,030</u>	<u>6,222,695</u>
<b>Total Assets</b>	<b><u>\$2,072,178</u></b>	<b><u>\$9,344,548</u></b>
 Other Liabilities	 <u>\$ 8,181</u>	 <u>\$ 12,540</u>
<b>Total Liabilities</b>	<b><u>8,181</u></b>	<b><u>12,540</u></b>
 <b><u>Net Assets</u></b>		
Invested in Capital Assets	916,030	6,222,695
Unrestricted	<u>1,147,967</u>	<u>3,109,313</u>
<b>Total Net Assets</b>	<b><u>\$2,063,997</u></b>	<b><u>\$9,332,008</u></b>

**Government Activities**

Government activities (decreased) the Township's net assets by \$(56,299).

**The Township's Funds**

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

**ADRIAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**December 31, 2006**

---

**General Fund Budgetary Highlights**

There were differences between the original budget and amended budget. Actual results in revenue were higher than budgeted, and expenses were significantly higher than budgeted numbers.

**Capital Assets And Debt Administration**

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounted to \$7,138,725 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was .00071%.

**Economic Factors And Next Year's Budget And Rates**

The Township's budget for 2007 year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

**Contacting The Townships Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 2907 Tipton Hwy., Adrian, Michigan 49221

# PHILIP R. RUBLEY

– Certified Public Accountant –

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

July 5, 2007

**Township Board  
Adrian Township  
Lenawee County  
2907 Tipton Hwy.  
Adrian, MI 49221**

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Adrian Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

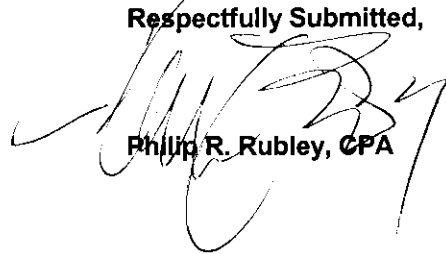
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adrian Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Adrian Township**  
**July 5, 2007**

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Respectfully Submitted,**



**Philip R. Rubley, CPA**

PRR/cab

**ADRIAN TOWNSHIP**  
**Government-wide Statement of Net Assets**  
**December 31, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and Equivalents	\$ 814,032	\$2,645,976	\$ 3,460,008
Receivables - Net	214,159	428,907	643,066
Prepaid Items and Other Assets	134,956	39,971	174,927
Internal Balances	(6,999)	6,999	---
Capital Assets Not Being Depreciated	36,593	96,099	132,692
Capital Assets Being Depreciated - Net	<u>879,437</u>	<u>6,126,596</u>	<u>7,006,033</u>
<b>Total Assets</b>	<u>\$2,072,178</u>	<u>\$9,344,548</u>	<u>\$11,416,726</u>
<b><u>Liabilities</u></b>			
Accounts Payable and Accrued Expenses	<u>\$ 8,181</u>	<u>\$ 12,540</u>	<u>\$ 20,721</u>
<b>Total Liabilities</b>	<u>8,181</u>	<u>12,540</u>	<u>20,721</u>
<b><u>Net Assets</u></b>			
Invested In Capital Assets	916,030	6,222,695	7,138,725
Unrestricted	<u>1,147,967</u>	<u>3,109,313</u>	<u>4,257,280</u>
<b>Total Net Assets</b>	<u>\$2,063,997</u>	<u>\$9,332,008</u>	<u>\$11,396,005</u>

**ADRIAN TOWNSHIP**  
**Government-wide Statement of Activities**  
**For The Year Ended December 31, 2006**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Charges For Services</u></b>	<b><u>Operating Grants And Contributions</u></b>	<b><u>Capital Grants And Contributions</u></b>	<b><u>Net (Expenses) Revenues</u></b>
<b><u>Governmental Activities:</u></b>					
General Government	\$ 223,317	\$ 91,868	\$ ---	\$ ---	\$ (131,449)
Public Safety	560,537	133,450	26,668	---	(400,419)
Public Works	262,300	---	---	---	(262,300)
Community and Economic Development	5,184	---	---	---	(5,184)
Recreation and Culture	30	---	---	---	(30)
Other Functions	<u>88,857</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(88,857)</u>
<b>Total Governmental Activities</b>	<u>1,140,225</u>	<u>225,318</u>	<u>26,668</u>	<u>---</u>	<u>(888,239)</u>
<b><u>Business-Type Activities:</u></b>					
Utilities	788,607	474,209	---	---	(314,398)
Interest Paid	<u>20,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(20,000)</u>
<b>Total Business-Type Activities</b>	<u>808,607</u>	<u>474,209</u>	<u>---</u>	<u>---</u>	<u>(334,398)</u>
<b>Total</b>	<u>\$1,948,832</u>	<u>\$699,527</u>	<u>\$26,668</u>	<u>\$ ---</u>	<u>\$ (1,222,637)</u>

**ADRIAN TOWNSHIP**  
**Government-wide Statement Of Activities (Concluded)**  
**For The Year Ended December 31, 2006**

---

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Changes in Net Assets</u></b>			
Net (Expense) Revenue	\$ (888,239)	\$ (334,398)	\$ (1,222,637)
General Revenues:			
Property Taxes and Assessments	406,450	95,022	501,472
Grants and Contributions			
Not Restricted To			
Specific Programs	394,084	---	394,084
Unrestricted Investment			
Earnings and Rentals	<u>31,406</u>	<u>101,394</u>	<u>132,800</u>
<b>Total General Revenues, Contributions and Transfers</b>	<u>831,940</u>	<u>196,416</u>	<u>1,028,356</u>
 <b>Change In Net Assets (Decrease)</b>	 (56,299)	 (137,982)	 (194,281)
 <b>Net Assets, Beginning of Year</b>	 <u>2,120,296</u>	 <u>9,469,990</u>	 <u>11,590,286</u>
 <b>Net Assets, End of Year</b>	 <u>\$2,063,997</u>	 <u>\$9,332,008</u>	 <u>\$ 11,396,005</u>

**ADRIAN TOWNSHIP**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2006**

	<b><u>General Fund</u></b>	<b><u>Fire Fund</u></b>	<b><u>Police Fund</u></b>	<b><u>Other Non-Major Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>ASSETS</u></b>					
Cash and Cash					
Equivalents	\$705,725	\$ 65,501	\$ 35,802	\$ 7,004	\$ 814,032
Prepaid Expenses	4,970	6,931	845	---	12,746
Receivables - Net	98,185	53,419	56,033	6,522	214,159
Due From Other Funds	<u>147,332</u>	<u>31,836</u>	<u>30,509</u>	<u>4,040</u>	<u>213,717</u>
<b>Total Assets</b>	<b><u>\$956,212</u></b>	<b><u>\$157,687</u></b>	<b><u>\$123,189</u></b>	<b><u>\$17,566</u></b>	<b><u>\$1,254,654</u></b>
<b><u>LIABILITIES</u></b>					
Accounts Payable/					
Accrued Liabilities	\$ 3,589	\$ 1,527	\$ 1,822	\$ 1,243	\$ 8,181
Due to Other Funds	7,045	35,376	51,203	4,882	98,506
Deferred Revenue	<u>2,512</u>	<u>1,083</u>	<u>1,086</u>	<u>---</u>	<u>4,681</u>
<b>Total Liabilities</b>	<b><u>13,146</u></b>	<b><u>37,986</u></b>	<b><u>54,111</u></b>	<b><u>6,125</u></b>	<b><u>111,368</u></b>
<b><u>FUND BALANCES</u></b>					
Unreserved	<u>943,066</u>	<u>119,701</u>	<u>69,078</u>	<u>11,441</u>	<u>1,143,286</u>
<b>Total Fund Balances</b>	<b><u>943,066</u></b>	<b><u>119,701</u></b>	<b><u>69,078</u></b>	<b><u>11,441</u></b>	<b><u>1,143,286</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$956,212</u></b>	<b><u>\$157,687</u></b>	<b><u>\$123,189</u></b>	<b><u>\$17,566</u></b>	<b><u>\$1,254,654</u></b>



**ADRIAN TOWNSHIP**  
**Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds**  
**To Net Assets Of Governmental Activities On The Statement of Net Assets**  
**December 31, 2006**

---

<b>Fund Balances – Total Governmental Funds</b>	<b>\$1,143,286</b>
---	--------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

<b>Add:</b>	Capital Assets	1,415,460
-------------	----------------	-----------

<b>Deduct:</b>	Accumulated Depreciation	(499,430)
----------------	--------------------------	-----------

Revenue that has been billed as a receivable, but not collected until later years, was not reported in the funds.

<b>Add:</b>	Deferred Revenue	<u>4,681</u>
-------------	------------------	--------------

<b>Net Assets of Governmental Activities</b>	<b><u>\$2,063,997</u></b>
--	---------------------------

**ADRIAN TOWNSHIP**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes In Fund Balances**  
**For The Year Ended December 31, 2006**

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Police Fund</b>	<b>Other Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>					
Taxes and Assessments	\$ 186,770	\$ 99,660	\$105,303	\$13,115	\$ 404,848
Intergovernmental	394,084	---	---	---	394,084
Grants	---	2,868	4,759	---	7,627
Fines and Forfeitures	---	---	14,901	---	14,901
Licenses and Permits	59,869	---	---	---	59,869
Charges for Services	33,321	47,124	338	---	80,783
Interest and Rentals	27,706	1,554	1,761	385	31,406
Other	14,561	10,512	106	600	25,779
Contributions	---	11,900	---	7,141	19,041
Franchise Fee	43,986	---	---	---	43,986
<b>Total Revenue</b>	<b>760,297</b>	<b>173,618</b>	<b>127,168</b>	<b>21,241</b>	<b>1,082,324</b>
<b><u>EXPENDITURES</u></b>					
Current:					
General Government	207,184	---	---	10,036	217,220
Public Safety	60,531	263,083	150,553	9,192	483,359
Public Works	246,469	---	---	15,831	262,300
Community Economic Development	5,184	---	---	---	5,184
Capital Outlay	7,384	1,270	---	---	8,654
Other Functions	88,857	---	---	---	88,857
<b>Total Expenditures</b>	<b>615,609</b>	<b>264,353</b>	<b>150,553</b>	<b>35,059</b>	<b>1,065,574</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>144,688</b>	<b>(90,735)</b>	<b>(23,385)</b>	<b>(13,818)</b>	<b>16,750</b>
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers In	4,000	90,700	10,000	2,027	106,727
Transfers (Out)	(102,727)	---	---	(4,000)	(106,727)
<b>Total Other Financing Sources (Uses)</b>	<b>(98,727)</b>	<b>90,700</b>	<b>10,000</b>	<b>(1,973)</b>	<b>---</b>
<b>Net Change In Fund Balances</b>	<b>45,961</b>	<b>(35)</b>	<b>(13,385)</b>	<b>(15,791)</b>	<b>16,750</b>
<b>Fund Balances – Beginning of Year</b>	<b>897,105</b>	<b>119,736</b>	<b>82,463</b>	<b>27,232</b>	<b>1,126,536</b>
<b>Fund Balances – End of Year</b>	<b>\$ 943,066</b>	<b>\$119,701</b>	<b>\$ 69,078</b>	<b>\$11,441</b>	<b>\$1,143,286</b>

**ADRIAN TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures,**  
**And Changes In Fund Balances Of Governmental Statement Of Activities**  
**December 31, 2006**

---

**Net Change In Fund Balances – Total Governmental Funds**

\$ 16,750

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

<b>Add:</b>	Capital Outlay	4,939
-------------	----------------	-------

<b>Deduct:</b>	Depreciation Expense	(79,590)
----------------	----------------------	----------

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

<b>Add:</b>	Deferred Revenue other adjustments	<u>1,602</u>
-------------	------------------------------------	--------------

**Change In Net Assets Of Governmental Activities**

\$ (56,299)

**ADRIAN TOWNSHIP**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

---

**Business-Type Activities -**  
**Enterprise Funds**

**Utilities Fund**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$2,645,976
Accounts Receivable	18,910
Special Assessments Receivable	44,138
Interest Receivable	8,544
Due From Other Funds	26,851
Prepaid Expenses	<u>20,165</u>

<b>Total Current Assets</b>	<u>2,764,584</u>
-----------------------------	------------------

Restricted Assets:

Special Assessment Receivable - Long Term	<u>357,315</u>
---	----------------

<b>Total Restricted Assets</b>	<u>357,315</u>
--------------------------------	----------------

Noncurrent Assets:

Property and Equipment - Net	<u>6,222,695</u>
------------------------------	------------------

<b>Total Noncurrent Assets</b>	<u>6,222,695</u>
--------------------------------	------------------

<b>Total Assets</b>	<u>\$9,344,594</u>
---------------------	--------------------

**Liabilities**

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 12,540
Due to Other Funds	<u>46</u>

<b>Total Current Liabilities</b>	<u>12,586</u>
----------------------------------	---------------

**Net Assets**

Invested in Capital Assets	6,222,695
Unrestricted	<u>3,109,313</u>

<b>Total Net Assets</b>	<u>9,332,008</u>
-------------------------	------------------

**Net Assets of Business-Type Activities on the**  
**Government-Wide Statement of Net Assets**

\$9,344,594

**ADRIAN TOWNSHIP**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended December 31, 2006**

---

	<b><u>Business-Type Activities - Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Operating Revenues</b>	
Charges for Services	\$ 474,209
Special Assessments	<u>95,022</u>
<b>Total Operating Revenues</b>	<u>569,231</u>
<b>Operating Expenses</b>	
Salaries and Wages	9,440
Fringe Benefits	1,773
Supplies	5,130
Services	510,245
Professional Services	6,176
Repairs and Maintenance	7,363
Depreciation	246,603
Insurance	<u>1,877</u>
<b>Total Operating Expenses</b>	<u>788,607</u>
<b>Net Operating (Loss)</b>	<u>(219,376)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income	101,394
Interest Expense	<u>(20,000)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>81,394</u>
<b>(Loss)</b>	<u>(137,982)</u>
<b>Net Assets, Beginning of Year</b>	<u>9,469,990</u>
<b>Net Assets, End of Year</b>	<u>\$9,332,008</u>

**ADRIAN TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities**  
**December 31, 2006**

---

<b>Change In Net Assets – All Enterprise Funds (Decrease)</b>	\$ (137,982)
No additional adjustments	<u>---</u>
<b>Change In Net Assets Of Business-Type Activities (Decrease)</b>	<u>\$ (137,982)</u>

**ADRIAN TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2006**

---

	<b>Business-Type Activities</b>
	<b><u>Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 639,961
Cash Payment to Suppliers For Goods and Services/Employees	<u>(612,932)</u>
<b>Net Cash Provided (Used)</b>	<u>27,029</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Special Assessment Receivable	<u>(9,349)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities)</b>	<u>(9,349)</u>
 <b>Cash Flows From Investing Activities</b>	
Investment Income	92,850
Purchase of Fixed Assets	(5,653)
Interest Expense	<u>(20,000)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>67,197</u>
 <b>Net Increase in Cash and Cash Equivalents</b>	84,877
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,561,099</u>
 <b>Cash and Cash Equivalents, End of Year</b>	<u>\$2,645,976</u>
 <b>Reconciliation to Statement of Net Assets</b>	
Cash and Cash Equivalents	<u>\$2,645,976</u>

**ADRIAN TOWNSHIP**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For The Year Ended December 31, 2006**

---

	<b><u>Business-Type Activities - Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
(Loss)	\$ (137,982)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	246,603
Changes in Assets and Liabilities:	
Accounts Receivable	22,145
Other Current Assets	(24,262)
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>(50,763)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>55,741</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of Fixed Assets	<u>(5,653)</u>
<b>Net Cash (Used) from Investing Activities</b>	<u>(5,653)</u>
<b>Cash Flows From Financing Activities:</b>	
Special Assessment Receivable	<u>34,789</u>
<b>Net Cash (Used) from Financing Activities</b>	<u>34,789</u>
<b>Net Increase in Cash and Cash Equivalents</b>	84,877
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,561,099</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$2,645,976</u>



**ADRIAN TOWNSHIP**  
**Fiduciary Funds – Statement of Net Assets**  
**December 31, 2006**

---

	<b>Current Tax Collection Fund</b>	<b>Trust and Agency Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	<u>\$724,861</u>	<u>\$6,483</u>
<b>Total Assets</b>	<u>\$724,861</u>	<u>\$6,483</u>
<b><u>Liabilities</u></b>		
Due to Other Funds	\$135,533	\$6,483
Other Payables	<u>589,328</u>	<u>---</u>
<b>Total Liabilities</b>	<u>\$724,861</u>	<u>\$6,483</u>

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Adrian Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

Adrian Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**The General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Fire Fund** is a special revenue fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

**The Police Fund** is a special revenue fund that receives monies through property tax millage and charges for services for the purpose of providing police protection to the community.

The government reports the following major proprietary fund:

**The Utilities Fund** is a proprietary fund which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Presently the Township has no long-term obligations.
7. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of December of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

**B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u><b>Amended Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
General Fund:			
General Government:			
Elections	\$ 4,750	\$ 8,494	\$ 3,744
Public Works:			
Sanitation	17,000	19,727	2,727
Drains	27,490	31,047	3,557
Roads and Maintenance	150,000	195,695	45,695
Capital Outlay:	1,000	7,384	6,384
Other Functions:			
Other	32,002	63,930	31,928
Transfer Out	---	102,727	102,727

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<b>Category <u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b>Carrying Value</b>	<b>Market Value</b>
Checking, Savings and Certificate of Deposits	\$400,000	\$3,791,352	\$ ---	\$4,191,352	\$4,191,352
	<u>\$400,000</u>	<u>\$3,791,352</u>	<u>\$ ---</u>	<u>\$4,191,352</u>	<u>\$4,191,352</u>

**Balance Sheet Cash And Cash Investments**

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<b><u>Deposits</u></b>	<b><u>Carrying Amount</u></b>
Insured (FDIC) (FSLIC)	\$ 400,000
Uninsured:	
Uncollateralized	<u>3,791,352</u>
<b>Total</b>	<u>\$4,191,352</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of Net Asset:**

Cash and Cash Equivalents	<u>\$3,460,008</u>
	<u>3,460,008</u>

**Statement of Fiduciary Net Asset:**

Agency Funds:	
Cash and Cash Equivalents	<u>731,344</u>
	<u>731,344</u>
	<u>\$4,191,352</u>

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2006 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Ending Decreases</u></b>	<b><u>Balance</u></b>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 36,593	\$ ---	\$ ---	\$ 36,593
<b>Total Capital Assets Not Being Depreciated</b>	<b>36,593</b>	<b>---</b>	<b>---</b>	<b>36,593</b>
Capital Assets, Being Depreciated:				
Buildings	297,217	3,428	---	300,645
Vehicles	852,540	---	---	852,540
Equipment	224,171	1,511	---	225,682
<b>Total Capital Assets Being Depreciated</b>	<b>1,373,928</b>	<b>4,939</b>	<b>---</b>	<b>1,378,867</b>
Less Accumulated Depreciation For:				
Buildings	(62,934)	(8,469)	---	(71,403)
Vehicles	(338,405)	(56,303)	---	(394,708)
Equipment	(18,501)	(14,818)	---	(33,319)
<b>Total Accumulated Depreciation</b>	<b>(419,840)</b>	<b>(79,590)</b>	<b>---</b>	<b>(499,430)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>954,088</b>	<b>(74,651)</b>	<b>---</b>	<b>879,437</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 990,681</b>	<b>\$ (74,651)</b>	<b>\$ ---</b>	<b>\$ 916,030</b>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 96,099	\$ ---	\$ ---	\$ 96,099
<b>Total Capital Assets Not Being Depreciated</b>	<b>96,099</b>	<b>---</b>	<b>---</b>	<b>96,099</b>
Capital Assets, Being Depreciated:				
Sewer and Water System	12,452,365	5,653	---	12,458,018
<b>Total Capital Assets Being Depreciated</b>	<b>12,452,365</b>	<b>5,653</b>	<b>---</b>	<b>12,458,018</b>
Less Accumulated Depreciation For:				
Sewer and Water System	(6,084,819)	(246,603)	---	(6,331,422)
<b>Total Accumulated Depreciation</b>	<b>(6,084,819)</b>	<b>(246,603)</b>	<b>---</b>	<b>(6,331,422)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>6,367,546</b>	<b>(240,950)</b>	<b>---</b>	<b>6,126,596</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 6,463,645</b>	<b>\$ (99,017)</b>	<b>\$ ---</b>	<b>\$ 6,222,695</b>



**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

Depreciation expense was charged to functions/programs of the Township as follows:

<b><u>Governmental Activities:</u></b>	
General Government	\$ 2,382
Public Safety	77,178
Parks and Recreation	<u>30</u>
<b>Total Depreciation Expense</b>	
<b>Governmental Activities</b>	<u>\$ 79,590</u>
 <b><u>Business-Type Activities:</u></b>	
Utilities	<u>\$246,603</u>
<b>Total Depreciation Expense</b>	
<b>Business-Type Activities</b>	<u>\$246,603</u>

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

At December 31, 2006, the following were interfund receivables and payables in the fund statement.

<b><u>Fund</u></b>	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>
General	\$147,332	\$ 7,045
Fire	31,836	35,376
Police	30,509	51,203
Street Lights	4,040	4,882
Agency Funds	---	142,016
Sewer	<u>26,851</u>	<u>46</u>
<b>Total</b>	<u>\$240,568</u>	<u>\$240,568</u>

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

**NOTE 6 – TRANSFERS BETWEEN FUNDS**

At December 31, 2006, the following transfers were made between funds:

<b><u>Fund</u></b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
General	\$ 4,000	\$102,727
Police	10,000	---
Fire	90,700	---
Cemetery	<u>2,027</u>	<u>4,000</u>
<b>Total</b>	<b><u>\$106,727</u></b>	<b><u>\$106,727</u></b>

**NOTE 7 – PROPERTY TAXES**

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

The Township currently levies 1.7526 mills. Property taxes attach as an enforceable lien on the property as of January 1.

**ADRIAN TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

---

**NOTE 8 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**ADRIAN TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$ ---	\$ ---	\$ 897,105	\$ 897,105
Taxes and Assessments	192,153	192,153	186,770	(5,383)
Intergovernmental	400,000	400,000	394,084	(5,916)
Licenses and Permits	88,700	88,700	59,869	(28,831)
Charges for Services	28,700	28,700	33,321	4,621
Interest and Rentals	14,000	14,000	27,706	13,706
Other	50,200	50,200	14,561	(35,639)
Franchise Fee	43,000	43,000	43,986	986
Transfer In	---	---	4,000	4,000
<b>Amounts Available for Appropriation</b>	<u>816,753</u>	<u>816,753</u>	<u>1,661,402</u>	<u>844,649</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b>General Government</b>				
Trustee Board	41,780	41,780	41,392	388
Township Supervisor	24,842	24,842	24,762	80
Treasurer	33,950	33,950	31,270	2,680
Assessing	36,300	36,300	32,440	3,860
Clerk	29,775	29,775	26,198	3,577
Elections	4,750	4,750	8,494	(3,744)
Professional Fees	40,200	40,200	18,555	21,645
Cemetery	3,100	3,100	2,370	730
Board of Appeals	603	603	317	286
Board of Review	1,984	1,984	1,345	639
Township Hall	24,951	24,951	20,041	4,910
<b>Public Safety</b>				
Inspections	84,170	84,170	60,531	23,639
<b>Community Economic Development</b>				
Planning and Zoning	9,264	9,264	5,184	4,080
<b>Public Works</b>				
Road and Maintenance	150,000	150,000	195,695	(45,695)
Sanitation	17,000	17,000	19,727	(2,727)
Drains	27,490	27,490	31,047	(3,557)
<b>Capital Outlay</b>	1,000	1,000	7,384	(6,384)
<b>Other Functions</b>				
Insurance	34,800	34,800	24,927	9,873
Other	32,002	32,002	63,930	(31,928)
<b>Transfer Out</b>	<u>---</u>	<u>---</u>	<u>102,727</u>	<u>(102,727)</u>
<b>Total Charges to Appropriations</b>	<u>597,961</u>	<u>597,961</u>	<u>718,336</u>	<u>(120,375)</u>
<b>Ending of Year Fund Balance</b>	<u>\$218,792</u>	<u>\$218,792</u>	<u>\$ 943,066</u>	<u>\$ 724,274</u>

**ADRIAN TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Fire Fund (Major Special Revenue Funds)**  
**For The Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$141,398	\$141,398	\$119,736	\$ (21,662)
<b><u>Resources (Inflows)</u></b>				
Taxes	95,309	95,309	99,660	4,351
Interest/Penalties	1,500	1,500	1,554	54
Contracted Services	40,000	40,000	47,124	7,124
Grants	---	---	2,868	2,868
Contributions	---	---	11,900	11,900
Miscellaneous	---	---	10,512	10,512
Transfer In	---	---	90,700	90,700
<b><u>Amounts Available for Appropriations</u></b>	<u>278,207</u>	<u>278,207</u>	<u>384,054</u>	<u>105,847</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b><u>Public Safety</u></b>				
Salaries and Wages	96,820	96,820	83,950	12,870
Fringe Benefits	7,407	7,407	6,422	985
Operating Supplies	27,275	27,275	17,664	9,611
Professional Services	500	500	4,613	(4,113)
Gas and Oil	4,500	4,500	4,523	(23)
Utilities	13,355	13,355	13,760	(405)
Repairs and Maintenance	13,600	13,600	18,969	(5,369)
Insurance	24,000	24,000	25,577	(1,577)
Dues and Publications	1,900	1,900	2,818	(918)
Physicals/Training	16,000	16,000	7,893	8,107
Communication - Radio	6,000	6,000	2,938	3,062
Education	350	350	496	(146)
Other	61,409	61,409	61,535	(126)
Capital Outlay	5,091	5,091	1,270	3,821
ALS - Fee Madison	---	---	11,925	(11,925)
<b><u>Total Charges to Appropriations</u></b>	<u>278,207</u>	<u>278,207</u>	<u>264,353</u>	<u>13,854</u>
<b><u>Ending of Year Fund Balance (Deficit)</u></b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$119,701</u>	<u>\$119,701</u>

**ADRIAN TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Police Fund (Major Special Revenue Funds)**  
**For The Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$ 55,156	\$ 55,156	\$ 82,463	\$27,307
<b><u>Resources (Inflows)</u></b>				
Taxes	100,077	100,077	105,303	5,226
Interest	1,000	1,000	1,761	761
Contracted Services	---	---	338	338
Fines & Forfeitures	12,785	12,785	14,901	2,116
Miscellaneous	---	---	106	106
Grants	1,850	1,850	4,759	2,909
Transfers In	---	---	10,000	10,000
<b><u>Amounts Available for Appropriation</u></b>	<u>170,868</u>	<u>170,868</u>	<u>219,631</u>	<u>48,763</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b><u>Public Safety</u></b>				
Salaries and Wages	91,950	91,950	88,583	3,367
Fringe Benefits	18,659	18,659	15,390	3,269
Operating Supplies	9,100	9,100	4,113	4,987
Professional Services	15,000	15,000	13,580	1,420
Gas and Oil	5,000	5,000	4,975	25
Utilities	8,509	8,509	6,542	1,967
Repairs and Maintenance	12,200	12,200	9,477	2,723
Insurance	---	---	3,564	(3,564)
Dues and Publications	500	500	131	369
Physicals/Training	1,500	1,500	812	688
Education	1,000	1,000	537	463
Other	2,450	2,450	2,849	(399)
Capital Outlay	5,000	5,000	---	5,000
<b><u>Total Charges to Appropriations</u></b>	<u>170,868</u>	<u>170,868</u>	<u>150,553</u>	<u>20,315</u>
<b><u>Ending of Year Fund Balance</u></b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 69,078</u>	<u>\$69,078</u>

**ADRIAN TOWNSHIP**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**December 31, 2006**

	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Street Lights Fund</u>	<u>Cemetery Fund</u>	<u>Firefighters' Association</u>	
<b><u>Assets</u></b>				
Cash	\$ 3,204	\$ ---	\$3,800	\$ 7,004
Receivables:				
Taxes	6,522	---	---	6,522
Due from Other Funds	<u>4,040</u>	<u>---</u>	<u>---</u>	<u>4,040</u>
<b>Total Assets</b>	<u>\$13,766</u>	<u>\$ ---</u>	<u>\$3,800</u>	<u>\$17,566</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 1,243	\$ ---	\$ ---	\$ 1,243
Due to Other Funds	<u>4,882</u>	<u>---</u>	<u>---</u>	<u>4,882</u>
<b>Total Liabilities</b>	<u>6,125</u>	<u>---</u>	<u>---</u>	<u>6,125</u>
<b><u>Fund Balance</u></b>	<u>7,641</u>	<u>---</u>	<u>3,800</u>	<u>11,441</u>
<b>Total Liabilities And Fund Balances</b>	<u>\$13,766</u>	<u>\$ ---</u>	<u>\$3,800</u>	<u>\$17,566</u>

**ADRIAN TOWNSHIP**  
**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended December 31, 2006**

	<b>Special Revenue Fund</b>	<b>Special Revenue Fund</b>	<b>Special Revenue Fund</b>	<b>Total Non-Major Governmental Funds</b>
	<b>Street Lights Fund</b>	<b>Cemetery Fund</b>	<b>Firefighters' Association</b>	
<b><u>Revenues:</u></b>				
Taxes and Assessments	\$13,115	\$ ---	\$ ---	\$ 13,115
Contributions	---	---	7,141	7,141
Interest and Rents	197	157	31	385
Other	---	600	---	600
<b>Total Revenue</b>	<u>13,312</u>	<u>757</u>	<u>7,172</u>	<u>21,241</u>
<b><u>Expenditures:</u></b>				
Public Safety	---	---	9,192	9,192
General Government	---	10,036	---	10,036
Public Works	15,831	---	---	15,831
Capital Outlay	---	---	---	---
<b>Total Expenditures</b>	<u>15,831</u>	<u>10,036</u>	<u>9,192</u>	<u>35,059</u>
<b><u>Excess of Revenues Over (Under Expenditures)</u></b>	(2,519)	(9,279)	(2,020)	(13,818)
<b><u>Other Financing Sources:</u></b>				
Transfers In	---	2,027	---	2,027
Transfers Out	---	(4,000)	---	(4,000)
<b>Total Other Financing Sources</b>	<u>---</u>	<u>(1,973)</u>	<u>---</u>	<u>(1,973)</u>
<b><u>Net Change in Fund Balances</u></b>	(2,519)	(11,252)	(2,020)	(15,791)
<b><u>Beginning Fund Balance</u></b>	<u>10,160</u>	<u>11,252</u>	<u>5,820</u>	<u>27,232</u>
<b><u>Ending Fund Balance</u></b>	<u>\$ 7,641</u>	<u>\$ ---</u>	<u>\$ 3,800</u>	<u>\$ 11,441</u>



# PHILIP R. RUBLEY

– Certified Public Accountant –

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

July 5, 2007

**Township Board  
Adrian Township  
Lenawee County  
2907 Tipton Hwy.  
Adrian, Michigan 49221**

We have examined the financial statements of Adrian Township, Michigan as of and for the year ended December 31, 2006 and have issued our report thereon dated July 5, 2007. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended December 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected.

Based on the criteria we have the following comments:

1. **INTERFUND TRANSACTIONS**

It is imperative that all interfund advances, etc. due to and due from balance between funds and are tied out monthly in the general ledger.

2. **BANK RECONCILIATIONS**

Bank reconciliation are being prepared timely and monthly but not always tied into general ledger balances, causing balances to be different because of missed transactions or other items.

**OTHER MATTERS FOR CONSIDERATION**

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **DOCUMENTATION PERTAINING TO CREDIT CARDS**

Invoices supporting credit card charges should be attached to credit card bills with approval marked for payment.

2. **ADRIAN FIREFIGHTERS ASSOCIATION**

A set of accounting records showing entries for cash receipts and disbursements should be maintained with better documentation of receipts.

3. **SEWER USAGE AGENCY REPORTS**

A detail outstanding balance report or agency report should be printed at the end of each quarter before the next billing to support outstanding balances.

4. **BUDGET**

Be sure any category budget changes are documented in minutes and revised budget report for your amended final budget for the year.

5. **CONTRIBUTIONS**

Maintain documentation of any restricted donations received by donors, with the clerk.

6. **FIXED ASSETS - CAPITAL**

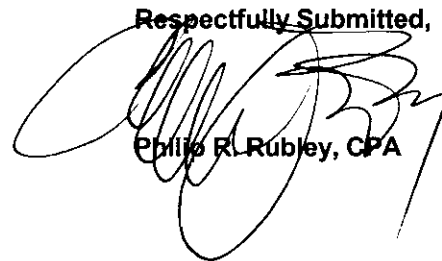
It will be necessary for the Township to establish and maintain records for acquisition and disposal of the Township's depreciation threshold of \$1500.

Adrian Township  
July 5, 2007  
Page 3

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated July 5, 2007, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name.

Philip R. Rubley, CPA

PRR/cab